

2017

**Pillar III
Disclosure
Report**

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1 Introduction

Middle East Financial Investment Capital hereinafter referred to as “MEFIC” and/or “the Company” is licensed and regulated by the Capital Market Authority (hereinafter referred to as “CMA”). CMA Prudential Rules consists of three main Pillars of Capital Adequacy,

- I. **Pillar I** – Minimum Capital Adequacy requirements, in which the firm has to maintain capital resources should not be less than the capital required amount.
- II. **Pillar II** – Assessment of all Risks and capital adequacy, in order to determine if additional capital should be assigned for additional risks.
- III. **Pillar III** – Market Disclosure and Reporting of capital adequacy and the other required information to be published, the Pillar III annual review and update will be published on the Company official website www.mefic.com.sa

The document has been prepared in accordance with the Capital Market Authority regulations. It meets the minimum requirements for the Annual Disclosure, referred by Article 68 of the Prudential Rules, and shall be arranged in accordance to Annex 10 of the same rules along with some illustrative tables.

2 Scope of Application

MEFIC Capital is a Saudi Closed Joint Stock Company established under the regulation for companies in the Kingdom of Saudi Arabia. The Company operates under Commercial Registration No:1010237038 issued in Riyadh on Sha’ban 2, 1428H (corresponding to August 15, 2007) and Ministerial Resolution No.200/K dated Rajab 30, 1428H (corresponding to August 13, 2007) announcing the formation of the Company.

The Company also operates its investment activities under the Authorization License No. 06029-37 dated July 17, 2007 (corresponding to Jumad Al Thani 21, 1427H) issued by the Capital Market Authority.

The Company modified its’ provided licensed services as per CMA approval dated August 29, 2017 (corresponding to Dhu Al-Hijjah 7, 1438H) to modify the investment services related to Dealing in securities as Principal only, Underwriting, Investment Funds Management along with the Private Investment Portfolios Management on the behalf of the customer, Arrangement, Advisory and Custody Services related to financial securities. The Company requested to revoke its license of Dealing as Agent.

2.1 Group Structure

The Company’s share capital of 400 million as of December 31, 2017, consists of 40,000,000 fully paid shares with nominal value of SR 10 each. The Company has investment in a subsidiary that has

been disclosed separately in the Financial Statement at the time of preparing and publishing this disclosure.

The Company's 40% share capital is owned by Ahli United Bank "AUB", in which AUB in Kuwait own (30%), and AUB in Bahrain (10%), The Arab Investment Company (TAIC) own 15% of the share capital, as well as a group of high net worth individuals and family offices. Below are some of the details about MEFIC's shareholders:

❖ **Ahli United Bank ("AUB")**

Ahli United Bank (AUB) forms a banking group providing (i) retail banking, (ii) corporate banking, treasury and investment, (iii) private banking and wealth management services and (iv) Sharia'-compliant banking services. AUB has a strong presence across Middle East and North Africa "MENA" with locations in Bahrain, Kuwait, Oman, Egypt, Iraq, and Libya and in United Kingdom. AUB is the largest bank in Bahrain with total assets of USD 33.24 bn, and Kuwait total assets of KD 3.7 bn by the end of 2017.

❖ **The Arab Investment Company ("TAIC")**

TAIC is a closed joint stock company established in 1974, owned by Arab States and registered in the Kingdom of Saudi Arabia. 15% of TAIC's holdings in MEFIC, out of the 15% shareholders of TAIC owned by Saudi and GCC shareholding of (8.8%) subject to Zakat, while the remaining (6.2%) subject to Tax Liabilities together with Ahli United Bank "AUB".

❖ **Individuals / Family Offices**

High Net worth Individuals collectively holds 45% of the share capital in MEFIC Capital. These are well connected and highly experienced individuals provide the necessary networking capability for MEFIC Capital in Saudi Arabia.

2.2 Material & Legal Impediments

There is no current or foreseen material or legal impediment to the prompt transfer of capital or repayment of liabilities between the Company and the related business partners.






3 Risk Management Structured

3.1 Risk Management

Risk Management Department is an independent control function led by a Head of Risk, reporting directly to the Company's Managing Director. The Risk Management function is responsible for the design and introduction of an independent risk management process that caters for the Identification, Assessment, Monitoring and Control of both financial and non-financial risks associated with the business activities based on approved policies and procedures subject to an annual review for a






continues development and enhancement for Risk Management process that fully comply with the Authority regulations. The risk management reporting prepared to on ex-post basis for assisting gaps and coup with the business needs, reporting compress both quantitative and qualitative based on the Authority Requirements and approved policies and procedures.

The Company considers several aspects when applying its process in order to mitigates the risks associated with the business such as:

-  **Clear communications.**
-  **Develop its modus operandi “the working and operating manner”.**
-  **Apply the corporate devil’s advocate approach in order to enhance the value of the investments.**
-  **Promote the risk management culture levels.**
-  **Continuous improvement of the Company risk profile and the risk appetite.**






3.2 Board of Directors “BoD”

The Board of Directors of the Company has an overall responsibility for establishing the risk culture and ensuring that an effective risk management framework is in place, some of the BoDs key responsibilities are:

-  **Approve the Company’s structure for risk management**
-  **Approve the annual Risk Appetite Statement “RAS” and the Risk Appetite limits annually.**
-  **Review and approve the Internal Capital Adequacy Assessment Process “ICAAP”.**
-  **Validate and approve the modifications and enhancements for risk management framework.**
-  **Review and approve risk assessment for any modifications or enhancement for the Company’s products and services.**

3.3 Managing Director “MD”

The Company’s MD is responsible for the following activities:

-  **Ensure that the Company’s department heads and their member of staff are fully aware and understanding that they are the risk owners for their related area of business and act accordingly.**
-  **Review the adequacy of the proposed risk mitigating measures.**
-  **Provide suggestions or recommendations in order to enhance the risk mitigating measures.**
-  **Provide full support (where necessary) to enable the implementation of the risk management activities and initiatives across the Company.**
-  **Respond in a timely manner in case of occurrence of incidents/events requiring MD involvement.**

3.4 Risk and Compliance Committee “RCC”

The Risk and Compliance Committee (management committee) responsible for overseeing the risk management framework and compliance. The committee established to address all related risk, and ensure effectiveness of the implementation process of risk management framework across the Company including the risk strategy, governance systems and compliance with the authority requirements as well as Compliance functions.

3.5 Internal Audit

In order to enhance the value and effectiveness of the internal audit function while keeping full control at the Company’s level, the Company co-sourced the internal audit services to one of the well-known and experienced service provider in the market. The co-sourced service provider provides an independent assurance that all types of risk and the controls are being measured and managed in accordance with the policies and guidelines approved by the BoD, and the market best practice. The Internal Audit function reports to the Internal Audit Committee “**IAC**” (Board Committee).

4 Capital Structure

4.1 Capital Adequacy General Principal

The Company complies with Part 2: Capital Base of the Prudential Rules of the CMA, moreover the Company maintains prudent relationship between the capital base and underlying risks.

4.2 Regulatory Restrictions (CMA)

The CMA has imposed a restriction that the Company shall continuously possess a capital base that corresponds to not less than the total of the minimum capital requirements of 1.0X, in accordance with Chapter 4 to Chapter 16 of Part 3 of the CAMs Prudential Rules at any point in time.

4.3 Capital Base




The Company's capital base as per the audited financial statement as of December 31, 2017 and 2016 as follow:

TABLE 1. CAPITAL BASE		
	FY 2017 SAR' 000	FY 2016 SAR' 000
Tier 1 Capital		
Paid-up capital	400,000	400,000
Share premium	-	
Reserves	9,044	8,611
Audited retained earnings	(11,086)	27,659
Deductions (-)	(11,069)	(28,577)
Total Tier 1 capital	386,889	407,692
Tier 2 Capital		
Total Tier 2 capital	-	-
Total Capital Base	386,889	407,692

5 Capital Adequacy

Capital Adequacy provides clear view on the Company's ability to ensure efficient utilization of its capital in relation to business requirements, the risk profile and shareholder visions and expectations.

The Company approach in assess the capital adequacy by considering the following principles:

-  **Pillar II review of the Internal Capital Assessment Process "ICAAP", review to be conducted at least annually.**
-  **Comply with Prudential Rules of the CMA by assessing the capital base to be maintaining above the CMA's minimum regulatory requirement of 1.0x.**
-  **Stress Testing and Scenario Analysis - It refers to the simulation techniques the Company adopts in order to assess potential effects of specified events.**

The Company maintained its' total capital ratio as of December 31, 2017 at 1.67x, that correspond to minimum capital requirements of SR 231 mm and capital surplus od SR 156 mm.

The Company minimum capital requirements as of 31 December 2017 and 2016 in line with audited financial statement present at the following table. ["For detailed disclosure please refer to point 7"](#)

TABLE 2. CAPITAL ADEQUACY COMPARISON

	FY 2017 SAR' 000	FY 2016 SAR' 000
Credit Risk		
On-balance Sheet Exposures		
Governments and Central Banks	-	
Authorized Persons and Banks	1,045	1,414
Corporates	4,247	3,248
Retail	1,681	-
Investments	122,431	136,037
Securitization	-	-
Margin Financing	-	2,537
Other Assets	52,002	8,343
Total On-Balance sheet Exposures	181,406	151,580
Off-balance Sheet Exposures		
OTC/Credit Derivatives	-	
Repurchase agreements	-	
Securities borrowing/lending	-	
Commitments	-	
Other off-balance sheet exposures	8,983	8,983
Total Off-Balance sheet Exposures	8,983	8,983
Total On and Off-Balance sheet Exposures	190,389	160,563
Prohibited Exposure Risk Requirement	29,025	47,650
Total Credit Risk Exposures	219,414	208,212
Market Risk		
Interest rate risks	-	-
Equity price risks	-	815
Risks related to investment funds	-	-
Securitization/ Re-securitization positions	-	-
Excess exposure risks	-	-
Settlement risks and counterparty risks	-	-
Foreign exchange rate risks	328	557
Commodities risks	-	-
Total Market Risk Exposures	328	1,372
Total Operational Risk Exposures	11,629	12,182
Minimum Capital Requirements	231,370	221,766
Surplus/(Deficit) in Capital	155,519	185,926
Total Capital Ratio (Time)	1.67	1.84





6 General Qualitative Disclosure

6.1 Credit Risks

Credit Risk is the risk of economic loss from the failure of a debtor to perform according to the terms and conditions of a contract or agreement. Credit Risk considered as the main risks charged to capital for the Company due to the Company's proprietary investment.

The Company performs the reasonable due diligence of securities and investments, along with Counterparty Risk Assessment, the Company obtains the appropriate approvals as per the approved authority matrix and the approved limitations, such process has to be in line with the approved investment roadmap.

In order to mitigate the credit risk and the counterparty risks, the Company applies suitable and approved policies and procedures in this regard allowing close monitoring in order to highlight any breaches related, also to consider an immediate correction plan, the Company doesn't use hedging techniques, as an example of the policies and procedure principles are:

-  **Consider Short term Murabaha placements as low risk product.**
-  **Perform Counterparty profile Risk Assessment to confirm the credit levels is up to acceptable standards.**
-  **Counterparty Risk Assessments to be conducted on an annual basis.**
-  **Carrying out Stress Testing process to review any unexpected movements in terms of rating, Geo political change, significant down trend in the financial performance semiannually or annually.**





6.2 Market Risk

Market Risk is the potential that changes in the market prices of an institution's holdings may have a negative impact on its financial condition. It's arising from positions either explicit or embedded within instruments and can be especially complex and difficult to manage. There are four most common market risk factors (Interest Rate, Foreign Exchange, Equity price, Commodity price). The Company's exposure to marker risk is very low, due to the absent of a trading portfolio and the nature of investment provided by the Company. The current marker risk exposure disclosed arised from the foreign currency exchange risk charges.







In order to mitigate market risk the Company follow an approved policy and procedure that include investments due diligence, underwriting process, considering the approval levels as per the approved authority matrix that includes the BoD or any other Committee, moreover, applying risk measurement tools such as Sensitivity Analysis and Stress Testing where abdlicable.

6.3 Operational Risk

Operational Risk is inherent within each and every activity or process conducted by the business. Its' widely used definition, as adopted by Basel II regulations: which is “the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events”. Operational loss always associated with business activities such as:

-  **Business Internal Process: it's the risks associated with failures of processes or procedures.**
-  **People Risks: associated with employees and / or with clients.**
-  **System Risks: associated with the use of technology and systems.**
-  **External Event Risks: associated with causes beyond the direct control of the Company.**

In order to mitigate the operational risk, risk management implementing an approved operational risk policy and procedure subject to continues improvements, the risk management functions always emphasizing that each business line is responsible to minimize the operation risk associated to their activities, some of the followed principles are:

-  **Continues testing of all controls effectiveness.**
-  **Risk Control Self-Assessment “RCSA” and creating the risk register.**
-  **Business Continuity Plan “BCP” testing annually.**
-  **Review all Service Level Agreement's “SLAs” annually.**
-  **Developing the risk management reporting.**
-  **Internal Audit functions to independently conduct a Risk Assessment Internal Audit based, and assessing effectiveness of the business controls.**

6.4 Liquidity Risk

Liquidity Risk also known as Cash Flow Risk is defined as the risk that the Company fall due and unable to meet regulatory or operational obligations due to lack of having sufficient available cash, funding facilities or liquid assets. This risk arises as a result of illiquid asset holdings, asset vs. liability gap, or inaccurate assessments of potential operating liquidity requirements.

In order to mitigate the liquidity risk, the Company monitors the liquidity position regularly, to maintain reasonable level of liquidity availability in order to meet any commitments when it falls due, Moreover, the Company considers short term and low risk investments, evaluate the worst case scenario the Company may face by applying stress testing scenarios, and most importantly is applying close monitoring to the asset and liability management.

The liquidity Statement is prepared in accordance to different time intervals of the expected cash flow arising at the settlement time of both asset and liabilities. Time intervals used as per the CMA Prudential Rules Regulation presented below:

-  **1 Day**
-  **From 1 day Up to 1 week**
-  **From 1 week Up to 1 month**
-  **From 1 month Up to 3 month**
-  **From 3 month Up to 6 month**
-  **From 6 month Up to 1 Year**
-  **Over 1 Year**
-  **Non Maturity**

7 Additional and Quantitative Disclosures

7.1 Capital Adequacy Quantitative Disclosures

TABLE 4. DISCLOSURE ON CAPITAL ADEQUACY- DECEMBER 31, 2017

Exposure Class	Exposures before CRM SAR '000	Net Exposures after CRM SAR '000	Risk Weighted Assets SR '000	Capital Requirement SAR '000
Credit Risk				
On-balance Sheet Exposures				
Governments and Central Banks	-	-	-	-
Authorized Persons and Banks	37,123	37,123	7,464	1,045
Corporates	4,249	4,249	30,334	4,247
Retail	4,002	4,002	12,007	1,681
Investments	301,149	301,149	874,507	122,431
Securitization	-	-	-	-
Margin Financing	-	-	-	-
Other Assets	55,103	55,103	371,443	52,002
Total On-Balance sheet Exposures	401,626	401,626	1,295,756	181,406
Off-balance Sheet Exposures				
OTC/Credit Derivatives	-	-	-	-
Repurchase agreements	-	-	-	-
Securities borrowing/lending	-	-	-	-
Commitments	-	-	-	-
Other off-balance sheet exposures	17,974	8,987	64,166	8,983
Total Off-Balance sheet Exposures	17,974	8,987	64,166	8,983
Total On and Off-Balance sheet Exposures	419,600	410,613	1,359,922	190,389
Prohibited Exposure Risk Requirement	146,799	50,077	207,318	29,025
Total Credit Risk Exposures	272,801	460,690	1,567,240	219,414
Market Risk				
	Long Position	Short Position		
Interest rate risks	-	-		-
Equity price risks	-	-		-
Risks related to investment funds	-	-		-
Securitization/ Re-securitization positions	-	-		-
Excess exposure risks	-	-		-
Settlement risks and counterparty risks	-	-		-
Foreign exchange rate risks	16,256	-		328
Commodities risks	-	-		-
Total Market Risk Exposures	16,256	-		328
Total Operational Risk Exposures				11,629
Minimum Capital Requirements				231,370
Surplus/(Deficit) in Capital				155,519
Total Capital Ratio (Time)				1.67

TABLE 5. DISCLOSURE ON CAPITAL ADEQUACY - DECEMBER 31, 2016

Exposure Class	Exposures before CRM SAR '000	Net Exposures after CRM SAR '000	Risk Weighted Assets SR '000	Capital Requirement SAR '000
Credit Risk				
On-balance Sheet Exposures				
Governments and Central Banks	-	-	-	-
Authorized Persons and Banks	44,906	44,906	10,101	1,414
Corporates	3,249	3,249	23,201	3,248
Retail	-	-	-	-
Investments	343,517	343,517	971,693	136,037
Securitization	-	-	-	-
Margin Financing	11,999	11,999	18,122	2,537
Other Assets	13,448	13,448	59,595	8,343
Total On-Balance sheet Exposures	417,120	417,120	1,082,711	151,580
Off-balance Sheet Exposures				
OTC/Credit Derivatives	-	-	-	-
Repurchase agreements	-	-	-	-
Securities borrowing/lending	-	-	-	-
Commitments	-	-	-	-
Other off-balance sheet exposures	17,974	8,987	64,166	8,983
Total Off-Balance sheet Exposures	17,974	8,987	64,166	8,983
Total On and Off-Balance sheet Exposures	435,094	426,107	1,146,877	160,563
Prohibited Exposure Risk Requirement	184,134	82,211	340,354	47,650
Total Credit Risk Exposures	250,960	508,318	1,487,231	208,212
Market Risk				
	Long Position	Short Position		
Interest rate risks	-	-		-
Equity price risks	5,092	-		815
Risks related to investment funds	-	-		-
Securitization/ Re-securitization positions	-	-		-
Excess exposure risks	-	-		-
Settlement risks and counterparty risks	-	-		-
Foreign exchange rate risks	18,840	-		557
Commodities risks	-	-		-
Total Market Risk Exposures	23,932	-		1,372
Total Operational Risk Exposures				12,182
Minimum Capital Requirements				221,766
Surplus/(Deficit) in capital				185,926
Total Capital Ratio (time)				1.84

7.2 Credit Risks Quantitative Disclosures

The company considers using the credit rating agencies regulated by the CMA for the credit quality steps to determine its' credit exposure as per the below table:

TABLE 3. CREDIT QUALITY RATING STEPS

Credit Quality step	1	2	3	4	5	6
S&P	AAA TO AA-	A+ TO A-	BBB+ TO BBB-	BB+ TO BB-	B+ TO B-	CCC+ and below
Fitch	AAA TO AA-	A+ TO A-	BBB+ TO BBB-	BB+ TO BB-	B+ TO B-	CCC+ and below
Moody's	Aaa TO Aa3	A1 TO A3	Baa1 TO Baa3	Ba1 TO Ba3	B1 TO B3	Caa1 and below
Capital Intelligence	AAA	AA TO A	BBB	BB	B	C and below

TABLE 6. DISCLOSURE ON CREDIT RISK WEIGHT – DECEMBER 31, 2017

Risk Weights	Governments and central banks	Administrative bodies and NPO	Authorized persons and banks	Margin Financing	Corporates	Retail	Past due items	Investments	Securitization	Other assets	Off-balance sheet commitments	Total Exposure after netting and Credit Risk Mitigation	Total Risk Weighted Assets
0%										20		20	-
20%			37,064									37,064	7,413
50%												-	-
100%			15									15	15
150%			24					30,251				30,276	45,414
200%												-	-
300%						4,002		256,772		5,313		266,087	798,262
400%								11,815				11,815	47,260
500%								2,311				2,311	11,553
714% (include prohibited exposure)					4,249		45,866	29,025		3,925	8,987	92,051	657,324
Average Risk Weight			20%		714%	300%	714%	328%		475%	714%	439,638	1,567,240
Deduction from Capital Base			1,045	-	4,247	1,681	45,847	151,456	-	6,155	8,983		219,414

TABLE 7. DISCLOSURE ON CREDIT RISK WEIGHT – DECEMBER 31, 2016

Risk Weights	Governments and central banks	Administrative bodies and NPO	Authorized persons and banks	Margin Financing	Corporates	Retail	Past due items	Investments	Securitization	Other assets	Off-balance sheet commitments	Total Exposure after netting and Credit Risk Mitigation	Total Risk Weighted Assets
0%										20		20	-
20%			43,568									43,568	8,714
50%												-	-
100%			1,180									1,180	1,180
150%			138	11,917				52,151				64,206	96,309
200%												-	-
300%				82		3,143		275,772		5,655		284,652	853,957
400%								11,823				11,823	47,294
500%								3,771				3,771	18,857
714% (include prohibited exposure)					3,249			47,650		4,650	8,987	64,536	460,922
Average Risk Weight			23%	151%	714%	300%		335%		486%	714%	473,757	1,487,231
Deduction from Capital Base			1,414	2,537	3,248	1,320	-	183,687	-	7,023	8,983		208,212

TABLE 8. DISCLOSURE ON CREDIT RISK RATING EXPOSURE - DECEMBER 31, 2017

Long term Ratings of counterparties

Exposure Class	Credit Quality Step	1	2	3	4	5	6	Unrated
	S&P	AAA TO AA-	A+ TO A-	BBB+ TO BBB-	BB+ TO BB-	B+ TO B-	CCC+ and below	Unrated
	Fitch	AAA TO AA-	A+ TO A-	BBB+ TO BBB-	BB+ TO BB-	B+ TO B-	CCC+ and below	Unrated
	Moody's	Aaa TO Aa3	A1 TO A3	Baa1 TO Baa3	Ba1 TO Ba3	B1 TO B3	Caa1 and below	Unrated
	Capital Intelligence	AAA	AA TO A	BBB	BB	B	C and below	Unrated
<u>On and Off-balance-sheet Exposures</u>								
Governments and Central Banks	-	-	-	-	-	-	-	-
Authorized Persons and Banks	37,103	37,064	-	15	-	-	-	24
Corporates	4,249	-	-	-	-	-	-	4,249
Retail	4,002	-	-	-	-	-	-	4,002
Investments	301,149	-	-	-	-	-	-	301,149
Securitization	-	-	-	-	-	-	-	-
Margin Financing	-	-	-	-	-	-	-	-
Other Assets	55,123	-	-	-	-	-	-	55,123
Total	401,626	37,064	-	15	-	-	-	364,548

TABLE 9. DISCLOSURE ON CREDIT RISK RATING EXPOSURE - DECEMBER 31, 2016

		Long term Ratings of counterparties							
Exposure Class	Credit Quality Step	1	2	3	4	5	6	Unrated	
	S&P	AAA TO AA-	A+ TO A-	BBB+ TO BBB-	BB+ TO BB-	B+ TO B-	CCC+ and below	Unrated	
	Fitch	AAA TO AA-	A+ TO A-	BBB+ TO BBB-	BB+ TO BB-	B+ TO B-	CCC+ and below	Unrated	
	Moody's	Aaa TO Aa3	A1 TO A3	Baa1 TO Baa3	Ba1 TO Ba3	B1 TO B3	Caa1 and below	Unrated	
	Capital Intelligence	AAA	AA TO A	BBB	BB	B	C and below	Unrated	
<u>On and Off-balance-sheet Exposures</u>									
Governments and Central Banks	-	-	-	-	-	-	-	-	
Authorized Persons and Banks	44,886	43,568	-	1,180	-	-	-	138	
Corporates	3,249	-	-	-	-	-	-	3,249	
Retail	3,143	-	-	-	-	-	-	3,143	
Investments	343,517	-	-	-	-	-	-	343,517	
Securitization	-	-	-	-	-	-	-	-	
Margin Financing	11,999	-	-	-	-	-	-	11,999	
Other Assets	10,325	-	-	-	-	-	-	10,325	
Total	417,120	43,568	-	1,180	-	-	-	372,372	

TABLE 10. DISCLOSURE ON CREDIT RISK MITIGATION (CRM) - DECEMBER 31, 2017

Exposure Class	Exposures before CRM	Exposures covered by Guarantees/ Credit derivatives	Exposures covered by Financial Collateral	Exposures covered by Netting Agreement	Exposures covered by other eligible collaterals	Exposures after CRM
Credit Risk						
On-balance Sheet Exposures						
Governments and Central Banks						
Authorized Persons and Banks	37,103	-	-	-	-	37,103
Corporates	4,249	-	-	-	-	4,249
Retail	4,002	-	-	-	-	4,002
Investments	301,149	-	-	-	-	301,149
Securitization	-	-	-	-	-	-
Margin Financing	-	-	-	-	-	-
Other Assets	55,123	-	-	-	-	55,123
Total On-Balance sheet Exposures	401,626	-	-	-	-	401,626
Off-balance Sheet Exposures						
OTC/Credit Derivatives	-	-	-	-	-	-
Exposure in the form of repurchase agreements	-	-	-	-	-	-
Exposure in the form of securities lending	-	-	-	-	-	-
Exposure in the form of commitments	-	-	-	-	-	-
Other Off-Balance sheet Exposures	8,987	-	-	-	-	8,987
Total Off-Balance sheet Exposures	8,987	-	-	-	-	8,987
Total On and Off-Balance sheet Exposures	410,613	-	-	-	-	410,613

TABLE 11. DISCLOSURE ON CREDIT RISK MITIGATION (CRM) - DECEMBER 31, 2016

Exposure Class	Exposures before CRM	Exposures covered by Guarantees/ Credit derivatives	Exposures covered by Financial Collateral	Exposures covered by Netting Agreement	Exposures covered by other eligible collaterals	Exposures after CRM
Credit Risk						
On-balance Sheet Exposures						
Governments and Central Banks	-	-	-	-	-	-
Authorized Persons and Banks	44,886	-	-	-	-	44,886
Corporates	3,249	-	-	-	-	3,249
Retail	3,143	-	-	-	-	3,143
Investments	343,517	-	-	-	-	343,517
Securitization	-	-	-	-	-	-
Margin Financing	11,999	-	-	-	11,999	11,999
Other Assets	10,325	-	-	-	-	10,325
Total On-Balance sheet Exposures	417,120	-	-	-	11,999	417,120
Off-balance Sheet Exposures						
OTC/Credit Derivatives	-	-	-	-	-	-
Exposure in the form of repurchase agreements	-	-	-	-	-	-
Exposure in the form of securities lending	-	-	-	-	-	-
Exposure in the form of commitments	-	-	-	-	-	-
Other Off-Balance sheet Exposures	8,987	-	-	-	-	8,987
Total Off-Balance sheet Exposures	8,987	-	-	-	-	8,987
Total On and Off-Balance sheet Exposures	426,107	-	-	-	11,999	426,107

7.3 Market Risk Quantitative Disclosures

Market Risk capital requirements as per the Pillar 1 of the Prudential Rules as of December 31, 2017 are as follows:

TABLE 12. DISCLOSURE ON MARKET RISK DECEMBER 31, 2017

	FY 2017 SAR '000	FY 2016 SAR '000
Market Risk		
Equity Risk	-	-
Fund Risk	-	815
Interest Rate Risk	-	-
Commodities Risk	-	-
FX Risk	328	557
Underwriting Risk	-	-
Excess Exposure Risk	-	-
Settlement Risk	-	-
Total Market Risk Capital Required	328	1,372

7.4 Operational Risk Disclosure

Operational Risk capital requirements as per the Pillar 1 of the Prudential Rules as of December 31, 2017 are as follows:

TABLE 13. DISCLOSURE ON OPERATIONAL RISK DECEMBER 31, 2017

Approach	FY 2015 SAR '000	FY 2016 SAR '000	FY 2017 SAR '000	Average	Risk Charge %	Capital Requirements
Basic Indicator Approach						
Operating Income	64,397	55,174	34,109	51,226	15%	7,684
Expenditure Based Approach						
Overhead Expenses			46,515		25%	11,629
Total Operational Risk Capital Required						11,629

TABLE 14. DISCLOSURE ON OPERATIONAL RISK DECEMBER 31, 2016

Approach	FY 2014 SAR '000	FY 2015 SAR '000	FY 2016 SAR '000	Average	Risk Charge %	Capital Requirements
Basic Indicator Approach						
Operating Income	103,686	64,397	55,174	74,419	15%	11,163
Expenditure Based Approach						
Overhead Expenses			48,727		25%	12,182
Total Operational Risk Capital Required						12,182

End of Repots,,,